

# Exhibit C



**CipherBlade**

Blockchain Investigation Agency

## SUPPLEMENTAL EXPERT REPORT

---

**Matter:** Mark Cassidy and all others similarly situated v.  
Voyager Digital LTD and Voyager Digital LLC

**Date:** 20220426

This **Supplemental Expert's Report** has been prepared in connection with the matter of *CASSIDY -v- VOYAGER*. It is not intended, and should not be used, for any other purpose. Any opinions expressed by the author herein are presented for this purpose alone, and may be subject to modification or deletion in the light of further information and investigation. These opinions are based solely on reviews of people, documentation, systems and other information as supplied or made available to CipherBlade.











**THIS IS A SUPPLEMENTAL REPORT TO A PRELIMINARY REPORT. IT HAS BEEN PREPARED BASED ON PRELIMINARY INFORMATION AND ASSUMPTIONS. NO ONE MAY RELY ON THIS DRAFT. IT IS SUBJECT TO CHANGE AS ADDITIONAL INFORMATION BECOMES AVAILABLE OR IS CLARIFIED.**

## I. ASSIGNMENT AND SUBSTANTIATING RECORDS

1. I have been asked by The Moskowitz Law Firm, PLLC on behalf of Plaintiffs to provide a Supplemental Report providing insight on:
  - a. Voyager's 'Earn' program and how it functions generally, such as on the blockchain and in the Voyager application
  - b. Voyager's Earn program and how it is (or due to a lack of transparency from Voyager, how it is most likely) generating the revenue to provide interest payouts
  - c. Whether or not the activity central to Voyager's Earn program has properly represented risk
2. In order to execute this assignment, I reviewed the same relevant documentation per my Preliminary Report.

## II. VOYAGER'S EARN PROGRAM, COMPETITORS, RISK, AND SECURITIES FACTORS

3. Voyager's Earn program is a means in which Voyager customers can make deposits of cryptocurrency to their Voyager accounts (providing Voyager with custody of those assets) and receive in-kind rewards on a prescribed (monthly) basis<sup>1</sup>.

 <b>DOT</b> POLKADOT Min. monthly balance: 20 DOT	<b>12%</b>	 <b>KAVA</b> KAVA Min. monthly balance: 100 KAVA	<b>12%</b>
 <b>USDC</b> USD COIN Min. monthly balance: 100 USDC	<b>9%</b>	 <b>KSM</b> KUSAMA Min. monthly balance: 3 KSM	<b>8%</b>
 <b>VGX</b> VOYAGER TOKEN Min. monthly balance: 100 VGX	<b>7%</b>	 <b>LUNA</b> TERRA LUNA Min. monthly balance: 10 LUNA	<b>4%</b>
 <b>ETH</b> ETHEREUM* Min. monthly balance: 0.5 ETH	<b>3.75%</b>	 <b>ADA</b> CARDANO Min. monthly balance: 300 ADA	<b>3.50%</b>
 <b>BTC</b> BITCOIN* Min. monthly balance: 0.01 BTC	<b>3.05%</b>	 <b>AAVE</b> AAVE Min. monthly balance: 1 AAVE	<b>3%</b>

4. Voyager's Earn program is functionally nearly entirely identical to similar programs offered by firms such as Celsius and BlockFi. The differences between these

<sup>1</sup> <https://www.investvoyager.com/earn/>

companies and their respective programs are extremely minimal; as some examples, differences come down to phrasing (use of words like “interest” versus “rewards”), how frequently rewards are paid out (daily, weekly, or monthly, most commonly) or specific cryptocurrencies that are offered as part of the program.

*“BlockFi makes money via interest fees, withdrawal fees, spreads, sponsorship fees, crypto mining, as well as premiums collected from investments into other trusts.”*<sup>2</sup>

*“BlockFi engages in two activities to generate return: (1) purchasing, as principal, SEC-regulated equities and predominately CFTC- regulated futures; and (2) lending crypto assets in the institutional market. See “What are the risks of holding my crypto at BlockFi?” for more details.”*<sup>3</sup>

5. How BlockFi was described as making money<sup>4</sup> (interest fees on loans offered to customers, withdrawal fees paid by customers, etc.) is notably different from specific phrasing of “SEC-regulated equities and predominantly CFTC-regulated futures; and (2) lending crypto assets in the institutional market.” The most concerning shared attribute of BlockFi and Voyager is use of vague (and in my opinion deliberately misleading) phrasing that enabled BlockFi to have the “out” of “well, technically, investments into trusts or lending to institutions could mean the money goes into DeFi.” The most likely reality behind companies like Voyager and BlockFi being able to offer such high interest or “reward” rates is that a *substantially* lower amount of revenue from on-platform activity, such as customer trades/loans/withdrawals, as well as a *substantially* lower portion of their revenue from safer activity (loans to reputable, audited institutions), and that they’re making a significantly *higher* portion of their revenue from higher-risk, higher-reward activity, such as DeFi.

*“There have also been questions about how the company uses funds from its depositors. News of its involvement in BadgerDAO will likely add to those questions.”*<sup>5</sup>

6. Another competitor, Celsius, admitted to losing millions of dollars worth of customer assets due to a DeFi hack just last December. It should serve as no mystery as to why there has been an increase in scrutiny on these interest/reward programs by

---

<sup>2</sup> <https://productmint.com/blockfi-business-model-how-does-blockfi-make-money/#:~:text=BlockFi%20makes%20money%20via%20interest,million%20in%20funding%20to%20date.>

<sup>3</sup> <https://help.blockfi.com/hc/en-us/articles/360048863692-How-is-BlockFi-able-to-pay-interest-on-crypto-held-on-the-platform->

<sup>4</sup> <https://moneymodels.org/business-models/how-does-blockfi-make-money/>

<sup>5</sup> <https://www.coindesk.com/markets/2021/12/03/crypto-lender-celsius-admits-losses-in-120m-badgerdao-hack/>

government agencies since that time: these companies are but a few poor decisions or unfortunate circumstances away from becoming insolvent. BlockFi recently paid a large fine to the SEC and stopped accepting US customers<sup>6</sup> for their interest program. Celsius quickly followed BlockFi in offboarding the same category of customers<sup>7</sup>. To-date, Voyager has not taken any similar actions; it is possible that Voyager replicates what BlockFi and Celsius did with restricting non-accredited US investors from the rewards/interest program, or it is possible that Voyager instead opts to (continue to) benefit from the influx of users from BlockFi and Celsius, opting to take this action at a future date – whether voluntarily or by being compelled to do so.

7. Voyager’s Earn program, as well as their competitor’s programs, generally make similar (vague, and most likely highly misleading) representations regarding their use of customer funds and how they generate the revenue that pays out the interest/rewards for their respective programs. I could perform the exact same deposit/withdrawal tracing for Voyager competitors and come up with similar findings: assets are sent to only a handful of destinations, rendering it impossible to trace further unless those companies produce records or the respective exchange accounts are subpoenaed. This is by design: neither Voyager, nor BlockFi (nor, as a rule, any company offering a similar offering of ‘Earn’) want it to be public knowledge that they are using rehypothecation customer assets in a way that no reasonable person would say reflects the public representations these companies make about how they use customer assets. Simplified, it’s effectively certain both BlockFi and Voyager deliberately mislead the public about how customer assets are utilized, and I am confident that records produced from cryptocurrency exchanges would prove this.
8. Companies like Voyager and BlockFi have notorious reputations for leveraging “influencers”<sup>8</sup> to promote their platforms. Such “influencers” are, unfortunately, often seen as credible by new and naive cryptocurrency investors that may invest significant portions of their net worth, or even their life’s savings, in platforms such as Voyager or BlockFi. The logic is seemingly simple: “this top cryptocurrency influencer says they use this platform, and where else can I generate 9% interest on dollars?” Neither these companies, nor these influencers, appropriately represent the risk to these new

---

<sup>6</sup> <https://www.sec.gov/news/press-release/2022-26>

<sup>7</sup> <https://blog.celsius.network/important-celsius-update-to-our-us-clients-6df471420cc7>

<sup>8</sup> Many cryptocurrency “influencers” are not sophisticated or savvy cryptocurrency users and make a living largely off of their social media following, namely, in their ability to generate income via referral links.

cryptocurrency investors, and instead offer vague and broad risk descriptions in their terms.

*“President Biden’s Executive Order tasked experts across the federal government with conducting in-depth analysis to balance the responsible development of digital assets with the risks they present. These tasks will be guided by six policy objectives: **first, protect consumers, investors, and businesses**; second, safeguard financial stability from systemic risk; third, mitigate national security risks; fourth, promote US leadership and economic competitiveness; fifth, **promote equitable access to safe and affordable financial services**; and, finally, support responsible technological advances, which take account of important design considerations like those related to privacy, human rights, and climate change. Over approximately the next six months, Treasury will work with colleagues in the White House and other agencies to produce foundational reports and recommendations related to these objectives. In many cases, the work tasked by the Executive Order builds upon ongoing efforts at Treasury.”*<sup>9</sup>

9. There have been extensive releases, statements, and actions from government agencies related to cryptocurrency in recent history. Secretary Yellen’s remarks on digital assets leave no room for mystery. The *first* priority includes consumer protection; this is not accidental. The fifth priority states equitable access to *safe* and affordable financial services. To state the obvious, it is the opposite of safe to invest a significant portion of your net worth (let alone your life’s savings) into activity such as DeFi staking. To invest a significant portion of someone else’s net worth into activity such as DeFi staking, while painting a picture of far different asset use, adds a layer of dishonesty on top of risk.
10. Customers of firms like BlockFi and Voyager are led to believe that their assets are being utilized largely by reputable institutions, not that their assets are being day-traded on platforms like Binance or utilized for extremely high-risk DeFi activity. In simpler terms, the risk and reward of loaning Ethereum to a reputable and audited western institution, as opposed to rehypothecation of that Ethereum into DeFi yield farming, are on entirely different ends of the spectrum. The risk associated with this reality transcends not just risk for the misled customers of firms like Voyager and BlockFi that stand to lose significant portions of their net worth, but would be something I would categorize as an item of national security interest: an increased likelihood of a hack means an increased likelihood of siphoning of hundreds of

---

<sup>9</sup> <https://home.treasury.gov/news/press-releases/jy0706>

millions or even billions of dollars worth of value out of the western economy and into the hands of, for example, North Korea<sup>10</sup>. While true a western institution using loaned Bitcoin for arbitrage trading could be hacked, this is generally a less likely threat than the risk of a DeFi hack. In short, companies like Voyager and BlockFi misrepresent the risk of utilizing their interest/earn programs since they misrepresent what customer assets are used for, disregarding and concealing risk, for the sake of making a risky quick buck.

11. Beyond the misrepresentations regarding risk, from a securities perspective, the Howey Test defines an investment contract as follows:
  - a. An investment of money
    - i. Whether or not cryptocurrency is defined as money is a contentious issue<sup>11</sup> with different interpretations and parlance factors, however, it is broadly accepted that cryptocurrency is a means of transferring value. Cryptocurrencies can and often are utilized as a means of payment. Above all, cryptocurrencies are most widely utilized as a speculative investment at this stage.
  - b. In a common enterprise
    - i. As demonstrated in my Preliminary Report, Voyager customer assets are consolidated into accounts operated by a common enterprise. Blockchains don't lie, and the tracing of Voyager customer deposits to common enterprise accounts is very clear.
  - c. With the expectation of profit
    - i. Customers of Voyager are promised rewards when they participate in the Earn program. Voyager would have extremely few customers that retain assets on their platform otherwise, as their primary draw is the Earn program. Further, any assets utilized by the Voyager 'Earn' program are deliberately selected by the customer, which means the customer opts-in expecting profit.
  - d. To be derived from the efforts of others
    - i. In order for Voyager to generate revenue for the Earn program, efforts to generate revenue must be made by Voyager. These efforts include utilization of customer assets (the investment of money). Even the act

<sup>10</sup> <https://techcrunch.com/2022/04/15/us-officials-link-north-korean-lazarus-hackers-to-625m-axie-infinity-crypto-theft/>

<sup>11</sup> <https://www.forbes.com/sites/rmiller/2021/03/23/bitcoin-is-a-cryptocurrency-but-is-it-money/?sh=269fa811dda0>

of transferring Voyager customer's assets from a deposit address to a subsequent wallet or account where Voyager consolidates assets requires an effort, as it requires a transaction to be initiated.


12. Even under a hypothetical situation where there was a 100% risk-free way to generate profit off of an investment (which has never existed) of cryptocurrency (which would sound preposterous to anyone with even rudimentary understanding of cryptocurrency risk), it would still require an action – a transaction.

### III. SUMMARY

13. While I am not a securities attorney, relying upon my expertise in the blockchain industry and knowledge of how digital assets function, Voyager's Earn program fits the criteria of the *Howey* Test.
14. While I am not a securities attorney, I am an expert in issues such as solvency, dishonest representation from cryptocurrency companies, hack risk and investigations, government understanding of and approach to digital assets, the spectrum of sophistication of industry participants, and other topics. This combination of experience makes it plain to me that Voyager's representation of risk is fundamentally dishonest.
15. It is my opinion that Voyager continuing to offer this Earn program (in addition to what should be a fairly obvious choice to offboard non-accredited US investors in light of the recent BlockFi and Celsius actions, as Voyager's program is fundamentally the same thing) is functionally equivalent to Voyager *continuing* to knowingly misleading naive investors in a highly predatory fashion – despite Celsius and BlockFi taking actions that should prompt an obvious action from a competitor offering functionally the same thing. In essence, Voyager appears to have made a choice to obtain short-term financial benefit from an influx of Celsius and BlockFi users that they may end up offboarding in the near future (should Voyager elect to take a similar offboarding measure), perhaps after having such customers “locked in” with promotions.
16. Alternatively, if Voyager simply waits for a US Government agency to tell them to modify or halt the program, this would reflect extremely poorly on the blockchain industry and only serve as an example for naysayers of cryptocurrency that refer to the industry as immature. Semantics regarding securities aside, from a consumer protection standpoint, there are clear reasons government agencies have taken action on Celsius and BlockFi, and Voyager's Earn program is *not* fundamentally different from the programs of their competitors.



**// ENDS**

A handwritten signature in black ink, appearing to be 'RS' followed by a long horizontal stroke, is positioned above a thin horizontal line.

Richard A. Sanders  
Lead Investigator, Principal  
CipherBlade

---